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FlashPoint Technology and Withrow & Terranova
100 Regency Forest Drive
Suite 160
Cary, NC 27518

EXAMINER	
JABR, FADEY S	

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UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE BOARD OF PATENT APPEALS
AND INTERFERENCES

Ex parte VIJAY VAIDYANATHAN and CHRISTOPHER ALLIN KITZE

Appeal 2009-000669
Application 10/032,751
Technology Center 3600

Decided:[1] June 19, 2009

Before HUBERT C. LORIN, ANTON W. FETTING, and
JOSEPH A. FISCHETTI, *Administrative Patent Judges.*

FETTING, *Administrative Patent Judge.*

DECISION ON APPEAL

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[1] The two month time period for filing an appeal or commencing a civil action, as recited in 37 CFR § 1.304, begins to run from the decided date shown on this page of the decision. The time period does not run from the Mail Date (paper delivery) or Notification Date (electronic delivery).

STATEMENT OF THE CASE

Vijay Vaidyanathan and Christopher Allin Kitze (Appellants) seek review under 35 U.S.C. § 134 of a final rejection of claims 1-40, the only claims pending in the application on appeal.

We have jurisdiction over the appeal pursuant to 35 U.S.C. § 6(b) (2002).

We REVERSE.

The Appellants invented a financial model for the buying and selling of digital files in a digital marketplace (Spec. 1:8-10).

An understanding of the invention can be derived from a reading of exemplary claims 1, 2, 8, 9, and 28, which is reproduced below [bracketed matter and some paragraphing added].

> 1. A method for providing an online digital marketplace, the digital marketplace having a plurality of digital files for access by consumers over a network, the method comprising the steps of:
>
> (a) allowing a content owner to post a file on the marketplace for access by users by,
>
> (i) providing information about the file,
>
> (ii) setting a retail price that users will be charged for downloading the file, and
>
> (iii) setting a reseller commission for the file;
>
> (b) allowing a first user to search for files posted on the digital marketplace for one to resell on a third party website;
>
> (c) allowing a second user to search the files posted on the digital marketplace for one to download;

(d) if the second user selects a particular file to download, charging the user the retail price set for the file;

(e) if the second user downloads the particular file from the third party website, paying the first user the reseller commission set for the file; and

(f) paying the content owner a payment based on the retail price minus the reseller commission.

2. The method of claim 1 further including the step of:

(g) allowing the content owner to monitor download statistics for the file the content owner posted and to change the retail price and the reseller commission for the file in real-time.

4. The method of claim 1 wherein step (a) further includes the step of:

(iv) allowing the content owner to set the retail price and the reseller commission both positively and negatively.

8. The method of claim 1 wherein step (b) further includes the step of:

(i) requesting the first user to enter sorting options for the search.

9. The method of claim 8 wherein step (b)

(i) further includes the step of: including as the sorting options sorting the matching files by popularity, by date, by size, by price, and by the reseller commission.

28. The method of claim 23 wherein step (b) further includes the step of:

(i) requesting the first user to enter sorting options for the search.

This appeal arises from the Examiner's Final Rejection, mailed September 25, 2007. The Appellants filed an Appeal Brief in support of the appeal on February 13, 2008. An Examiner's Answer to the Appeal Brief was mailed on March 13, 2008. A Reply Brief was filed on May 13, 2008.

PRIOR ART

The Examiner relies upon the following prior art:

Ferguson et al.	US 5,819,092	October 6, 1998
Vestergaard et al.	US 2002/0146122 A1	October 10, 2002
Eglen et al.	US 2003/0023505 A1	January 30, 2003
Spagna et al.	US 6,587,837 B1	July 1, 2003
Likourezos et al	US 2007/0005432 A1	January 4, 2007

REJECTIONS

Claims 1, 3-7, 10-12, 14-18, and 21-23 stand rejected under 35 U.S.C. § 103(a) as unpatentable over Spagna, Vestergaard, and Likourezos.

Claims 2, 13, 23-27, and 30-37 stand rejected under 35 U.S.C. § 103(a) as unpatentable over Spagna, Vestergaard, Likourezos, and Eglen.

Claims 8-9 and 19-20 stand rejected under 35 U.S.C. § 103(a) as unpatentable over Spagna, Vestergaard, Likourezos, and Ferguson.

Claims 28-29 and 38-40 stand rejected under 35 U.S.C. § 103(a) as unpatentable over Spagna, Vestergaard, Likourezos, Eglen, and Ferguson.

ISSUES

The issues pertinent to this appeal are

- Whether the Appellants have sustained their burden of showing the Examiner erred in the rejection of claims 1, 3-7, 10-12, 14-18, and 21-23 under 35 U.S.C. § 103(a) as unpatentable over Spagna, Vestergaard, and Likourezos.
    - This pertinent issue turns on whether Spagna describes two sites, digital marketplace and a 3rd party website, that a user can download a file from.
- Whether the Appellants have sustained their burden of showing the Examiner erred in the rejection of claims 2, 13, 23-27, and 30-37 under 35 U.S.C. § 103(a) as unpatentable over Spagna, Vestergaard, Likourezos, and Eglen.
    - This pertinent issue turns on whether Spagna describes two sites, digital marketplace and a 3rd party website, that a user can download a file from.
- Whether the Appellants have sustained their burden of showing the Examiner erred in the rejection of claims 8-9 and 19-20 under 35 U.S.C. § 103(a) as unpatentable over Spagna, Vestergaard, Likourezos, and Ferguson.
    - This pertinent issue turns on whether Spagna and Ferguson describe the sorting the search results using the criteria of popularity, date, size, price, and reseller commission.
- Whether the Appellants have sustained their burden of showing the Examiner erred in the rejection of claims 28-29 and 38-40 under 35 U.S.C. §

103(a) as unpatentable over Spagna, Vestergaard, Likourezos, Eglen, and Ferguson.

- This pertinent issue turns on whether Spagna and Ferguson describe the sorting the search results using the criteria of popularity, date, size, price, and reseller commission.

FACTS PERTINENT TO THE ISSUES

The following enumerated Findings of Fact (FF) are believed to be supported by a preponderance of the evidence.

Spagna

01. Spagna is directed to a system and related tools for the secure delivery and rights management of digital assets over the Internet and the World Wide Web (Spagna 1:53-58).

02. Spagna describes that content proprietors, the owners of original content, are authorized to package independent content for distribution. Content includes songs or a series of songs. The proprietors can exploit this right directly or license the content to a electronic digital content store or other market partners in exchange for usage payments related to electronic commerce revenues (Spagna 12:24-33 and 50:16-39). Content providers are further enabled to designate usage conditions for the content or file that is being packaged (Spagna 12:52-56).

03. Electronic digital content stores are entities who market electronic content through a variety of services or applications. For example, an electronic digital content store is a web site that provides electronic

downloads of software. Electronic digital content stores further package content with aggregate content information, including secondary usage information and metadata, and package the content with that information into a secure container (SC) (Spagna 13:14-37).

04. The secondary usage information includes content purchase price, pay-per-listen price, copy authorizations, and time-availability restrictions (Spagna 13:14-37 and 62:22-52).

05. The electronic content providers use the metadata to extract information necessary to enable the electronic content stores to search for content available (Spagna 70:67 – 71:24).

06. Electronic content providers identify the products they wish to sell and deliver electronically or enabling the downloading of the content (Spagna 13:38-48). The electronic content providers provide metadata links to the electronic stores that enables the stores to search through the database of content (Spagna 71:1-24). Alternatively, electronic digital stores can request from the electronic digital content providers to provide content to the secure digital content electronic distribution system (Spagna 45:32-39 and 53:40-60).

07. The electronic content stores then sell the available digital content to consumers (Spagna 73:47-61). The system further designates secondary content sites to host popular content such that when the primary content sites approach a capacity limit, the secondary sites can provide the popular content to consumers (Spagna 73:35-42). The electronic store is also responsible for providing support for product searches, previews, selections, and purchases to consumers (Spagna 75:33-40).

08. After the completion of the purchase of content, the electronic digital store transfers secure containers that the content is packaged in to the end user device (Spagna 26:25-39).

09. Users are enabled to sort content based on artist, category, and other criteria (Spagna 94:2-3).

Vestergaard

10. Vestergaard is directed to a method and system for the secure distribution of digital media files over computer networks (¶ 0001).

11. Vestergaard describes a method in which content owners can securely distribute content and users can download the desired content in multiple ways. This is accomplished by packaging an execution file with a decryption engine, a decryption key, and the content. Upon execution, the decryption engine decrypts the content using the decryption key. Once decrypted, the content is presented to the user in a viewer (Vestergaard ¶'s 0038-0044 and 0048).

12. The price model for dynamically pricing the item, the initial price for the item, the implicit or marginal cost of the item, the minimum price for the item, the maximum price, and the current price for the item are all stored fields (Vestergaard ¶ 0064). The current demand or the number of times the item was purchased within a specified period, historical pricing, and quantity ordering amounts are also maintained fields. Using these fields, the system determines the dynamic price for the product (Vestergaard ¶'s 0064-0068). The price can be adjusted based on the demand for the item so as to maximize profit (Vestergaard ¶ 83). Generally, the greater demand for the particular item, the price will be

increased until the profit is maximized (Vestergaard ¶ 83). Similarly, when the demand for the item is lower, the dynamic pricing system lowers the price until profit is maximized (Vestergaard ¶ 83).

13. The packaged file containing an MP3 file, decryption engine, decryption key, and an embedded viewer is called an MPE file (Vestergaard ¶ 0058). The MPE file further contains content information including header information, song specification, and a song preview section (Vestergaard ¶'s 0077 – 0085).

14. A royalty payment scheme is designed for each MPE file and is encoded with each file (Vestergaard ¶ 0101).

15. Users are enabled to search for files using search engines (Vestergaard ¶ 0105).

16. There are three different pricing models available (Vestergaard ¶ 0111-0113). The first model is a Free model (Vestergaard ¶ 0058). Second is a Pay model, in which consumers will pay a fee in order to obtain access to the complete and decrypted MPE file (Vestergaard ¶ 0111). Lastly, the Sponsored model is where a sponsor covers the fee for the MPE file in return for the consumer visiting the sponsor website (Vestergaard ¶ 0112). In other words, the MPE file is free for the consumer for visiting the sponsor website (Vestergaard ¶ 0112).

17. A retail sales price is specified for each MPE file (Vestergaard ¶ 0151). An MPE distributor field specifies which distributor will be paid a commission upon sale of the MPE file (Vestergaard ¶ 0152). Compensation can be in terms of gross revenue, or based on a flat rate (Vestergaard ¶ 0152). In a preferred embodiment, the distributor

percentage field is set to default at 25% of gross receipts (Vestergaard ¶ 0152).

Likourezos

18. Likourezos is directed to a system and method for the real-time payment for an item won on an electronic auction (Likourezos ¶ 0002).

19. Likourezos describes that prior art methods for compensating the seller includes a method that pays the seller by direct deposit an amount equal to the charged amount minus a commission and a transaction fee (Likourezos ¶ 0010). The commission is typically paid to the operator or owner of the electronic auction web site and the transaction fee is paid to the operator or owner of the payment web site (Likourezos ¶ 0010).

Eglen

20. Eglen is directed to a sales system adapted to dynamically price goods and/or services over a computer network (Eglen ¶ 0002).

21. An item is placed for sale at a first price and based on the number of orders received at the first price the system dynamically determines a second price (Eglen ¶'s 0007-0009).

22. Statistical information such as information on the current demand, the number of times an item was purchased within a specified period, historical pricing, and quantity ordered information is maintained on the system (Eglen ¶ 0064). This information is used to dynamically price an item (Eglen ¶ 0064).

23. In general, the greater the demand for an item, the server will increase the price of the item (and vice versa) in order to maximize profits (Eglen ¶ 0083).

Ferguson

24. Ferguson is directed to a software tool for setting fees for online computer services (Ferguson 1:12-15).

25. Ferguson describes a tool that enables users to determine which online services the user desires and determine the fee for those services (Ferguson 7:1-5). The system includes a visual editing system, called the Online Designer, that enables a developer to create online services using graphical screen displays (Ferguson 10:15-20).

26. Sub-tools available on the editing system include quick index searching and attribute searching (Ferguson 10:62 – 11:8). Index searching enables a user to specify the search criteria using an appropriately designed hypermedia input form (Ferguson 10:62-65). Attribute searching enables a user to search through documents by specifying various attributes such as the date of the last update, the size of the document, and the size of the fee for downloading the document (Ferguson 10:66 – 11:3).

Facts Related To The Level Of Skill In The Art

27. Neither the Examiner nor the Appellants has addressed the level of ordinary skill in the pertinent arts of digital content management, sales, and distribution. We will therefore consider the cited prior art as representative of the level of ordinary skill in the art. *See Okajima v. Bourdeau*, 261 F.3d 1350, 1355 (Fed. Cir. 2001) ("[T]he absence of

specific findings on the level of skill in the art does not give rise to reversible error 'where the prior art itself reflects an appropriate level and a need for testimony is not shown'") (quoting *Litton Indus. Prods., Inc. v. Solid State Sys. Corp.*, 755 F.2d 158, 163 (Fed. Cir. 1985).

Facts Related To Secondary Considerations

28. There is no evidence on record of secondary considerations of non-obviousness for our consideration.

PRINCIPLES OF LAW

Obviousness

A claimed invention is unpatentable if the differences between it and the prior art are "such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art." 35 U.S.C. § 103(a) (2000); *KSR Int'l Co. v. Teleflex Inc.*, 550 U.S. 398, 406 (2007); *Graham v. John Deere Co.*, 383 U.S. 1, 13 (1966).

In *Graham*, the Court held that that the obviousness analysis is bottomed on several basic factual inquiries: "[(1)] the scope and content of the prior art are to be determined; [(2)] differences between the prior art and the claims at issue are to be ascertained; and [(3)] the level of ordinary skill in the pertinent art resolved." 383 U.S. at 17 *See also KSR*, 550 U.S. at 406. "The combination of familiar elements according to known methods is likely to be obvious when it does no more than yield predictable results." *Id.* at 416.

"When a work is available in one field of endeavor, design incentives and other market forces can prompt variations of it, either in the same field or a different one. If a person of ordinary skill can implement a predictable variation, § 103 likely bars its patentability." *Id.* at 417.

"For the same reason, if a technique has been used to improve one device, and a person of ordinary skill in the art would recognize that it would improve similar devices in the same way, using the technique is obvious unless its actual application is beyond his or her skill." *Id.*

"Under the correct analysis, any need or problem known in the field of endeavor at the time of invention and addressed by the patent can provide a reason for combining the elements in the manner claimed." *Id.* at 420.

ANALYSIS

Claims 1, 3-7, 10-12, 14-18, and 21-23 rejected under 35 U.S.C. § 103(a) as unpatentable over Spagna, Vestergaard, and Likourezos

The Appellants argue these claims as a group.

Accordingly, we select claim 1 as representative of the group. 37 C.F.R. § 41.37(c)(1)(vii) (2008).

The Examiner found that Spagna describes all of the limitations of claim 1 except for limitations (a)(iii), (e), and (f) (Ans. 3-4). Independent claims 1, 12 and 23 each recites these limitations. The Examiner found that Vestergaard and Likourezos describe limitations (a)(iii), (e), and (f) (Ans. 4). The Examiner further found that a person with ordinary skill in the art would have recognized the benefit of creating revenue opportunities by enabling users to have greater control over the selling of products as described by Vestergaard and Likourezos and a person with ordinary skill in the art would have found it obvious to combine Spagna, Vestergaard, and Likourezos in order to determine the amount of revenue they are willing to receive for assistance in selling their product while also compensating the distributor for their assistance (Ans. 4-5).

The Appellants contend that Spagna, Vestergaard, and Likourezos fail to describe "if a second user downloads a file from the third party website, paying a first user a reseller commission for the sale of a file owned by a content owner and then paying the content owner a payment based on a retail price minus the reseller commission where the first user downloaded the file from a digital marketplace and resold the file on the third party website" (Br. 13: third ¶ and Reply Br. 3: last ¶).

Claim 1 requires that a user be able to browse the digital marketplace and download a file from either the digital marketplace or a 3rd party website. In other words, claim 1 requires that there be two locations that a user can download a file from. The Examiner has relied on Spagna to describe this feature. However, Spagna fails to describe two different sites that the second user can download a file from. Spagna describes that a user is enabled to search and download a file from an electronic content store (FF 07), but fails to describe any second location that a user can download the file from. As such, Spagna fails to describe a second user downloading a file from a 3rd party website and fails to describe claim 1.

The Appellants have sustained their burden of showing that the Examiner erred in rejecting claims 1, 3-7, 10-12, 14-18, and 21-23 under 35 U.S.C. § 103(a) as unpatentable over Spagna, Vestergaard, and Likourezos.

Claims 2, 13, 23-27, and 30-37 rejected under 35 U.S.C. § 103(a) as unpatentable over Spagna, Vestergaard, Likourezos, and Eglen

The Appellants rely on their arguments in support of claim 1 above, which we found to be sufficient to overcome the Appellants' burden and so have sustained their burden of showing that the Examiner erred in rejecting claims 2, 13, 23-27,

and 30-37 under 35 U.S.C. § 103(a) as unpatentable over Spagna, Vestergaard, Likourezos, and Eglen.

Claims 8-9 and 19-20 rejected under 35 U.S.C. § 103(a) as unpatentable over Spagna, Vestergaard, Likourezos, and Ferguson

We find that dependant claims 8-9, which depend from claim 1, and dependant claims 19-20, which depend from claim 12, also contain the limitation we found the Examiner erred in rejecting *supra*. Since this issue is dispositive as to the rejections against these claims, we need not reach the remaining arguments raised by the Appellants against the rejection of claims 8-9 and 19-20.

The Appellants have sustained their burden of showing that the Examiner erred in rejecting claims 8-9 and 19-20 under 35 U.S.C. § 103(a) as unpatentable over Spagna, Vestergaard, Likourezos, and Ferguson.

Claims 28-29 and 38-40 rejected under 35 U.S.C. § 103(a) as unpatentable over Spagna, Vestergaard, Likourezos, Eglen, and Ferguson

We find that dependant claims 28-29, which depend from claim 23, and dependant claims 38-40, which depend from claim 33, also contain the limitation we found the Examiner erred in rejecting *supra*. Since this issue is dispositive as to the rejections against these claims, we need not reach the remaining arguments raised by the Appellants against the rejection of claims 28-29 and 38-40.

The Appellants have sustained their burden of showing that the Examiner erred in rejecting claims 28-29 and 38-40 under 35 U.S.C. § 103(a) as unpatentable over Spagna, Vestergaard, Likourezos, Eglen, and Ferguson.

CONCLUSIONS OF LAW

The Appellants have sustained their burden of showing that the Examiner erred in rejecting claims 1, 3-7, 10-12, 14-18, and 21-23 under 35 U.S.C. § 103(a) as unpatentable over Spagna, Vestergaard, and Likourezos.

The Appellants have sustained their burden of showing that the Examiner erred in rejecting claims 2, 13, 23-27, and 30-37 under 35 U.S.C. § 103(a) as unpatentable over Spagna, Vestergaard, Likourezos, and Eglen.

The Appellants have sustained their burden of showing that the Examiner erred in rejecting claims 8-9 and 19-20 under 35 U.S.C. § 103(a) as unpatentable over Spagna, Vestergaard, Likourezos, and Ferguson.

The Appellants have sustained their burden of showing that the Examiner erred in rejecting claims 28-29 and 38-40 under 35 U.S.C. § 103(a) as unpatentable over Spagna, Vestergaard, Likourezos, Eglen, and Ferguson.

DECISION

To summarize, our decision is as follows:

- The rejection of claims 1, 3-7, 10-12, 14-18, and 21-23 under 35 U.S.C. § 103(a) as unpatentable over Spagna, Vestergaard, and Likourezos is not sustained.
- The rejection of claims 2, 13, 23-27, and 30-37 under 35 U.S.C. § 103(a) as unpatentable over Spagna, Vestergaard, Likourezos, and Eglen is not sustained.

- The rejection of claims 8-9 and 19-20 under 35 U.S.C. § 103(a) as unpatentable over Spagna, Vestergaard, Likourezos, and Ferguson is not sustained.
- The rejection of claims 28-29 and 38-40 under 35 U.S.C. § 103(a) as unpatentable over Spagna, Vestergaard, Likourezos, Eglen, and Ferguson is not sustained.

REVERSED

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FlashPoint Technology and Withrow & Terranova
100 Regency Forest Drive
Suite 160
Cary NC 27518